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SUBJECT: BSEC SENIOR OFFICIALS MEETING HIGHLIGHTS
ORGANIZATION'S STRENGTHS AND WEAKNESSES

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This message was coordinated with Embassy Ankara.

11. (SBU) Summary: The Black Sea Economic Cooperation organization's meeting of Senior Officials at the end of February highlighted both the organization's strengths and weaknesses. The organization is a rare forum grouping not just all the sea's littoral states, but also other countries such as Greece and Serbia with interests in the region. Coordination is not always easy, however, as was evident in the four hours needed to approve the agenda for the meeting and the continued failure of all members to make their required contributions to such affiliated bodies as the BSEC Project Development Fund and the BSEC Business Council. Nonetheless, BSEC has developed a number of interesting and potentially valuable projects in fields ranging from the Environment to Transportation. End Summary.

12. (SBU) BSEC Senior Officials' meetings are the institutional backbone of the organization, reviewing the progress of BSEC's various working groups and formulating recommendations for higher instances, including the Council of Foreign Ministers, which is the final decision-making body for the organization. The end-February meeting at BSEC headquarters in Istanbul, the first here since the organization approved the U.S. request for observer status last November, provided an opportunity to witness the organization in action and meet with a cross-section of country delegations. Our insights were limited by the fact that the most sensitive issues-- including that of "appointments in the BSEC Permanent International Secretariat"-- were discussed in camera, and insufficient

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resources to cover the entire 3-day 14-hour a day program. We were able, however, to cover a number of sessions and make clear U.S. interest in the organization and its activities--

an interest also reflected by Embassy Bucharest's coverage of recent BSEC working groups on the Environment and on Transportation. In recent days, we have met with senior officials at the BSEC Secretariat and heads of national delegations to review the senior official meeting's outcome.

13. (SBU) The meeting's lengthy agenda was mostly non-controversial, involving the review of draft reports from the organization's working groups on topics ranging from good governance to cooperation in customs services, transportation and the environment. These topics usually attract little debate or dissension, though on occasion they can spark difficulties. For instance, we understand that the draft report from the energy working group held last fall in Baku has been held up because of Turkey's reluctance to allow the use of the term "Bosphorus," while other country delegations are unwilling to countenance the Turks' preferred formulation of "Straits of Istanbul."

14. (SBU) More substantive discussion centered on four topics: that of appointments in the BSEC Secretariat, the role and responsibilities of observer states, and developments relating to the Black Sea Trade and Development Bank (BSTDB) and the BSEC Project Development Fund. On the first issue, Senior Officials agreed to recommend that Ministers appoint Greek Ambassador Chrystamopoulous, the current head of the Greek Foreign Ministry's Economic Division, to head the BSEC Secretariat. His deputy, proposed at a previous session,

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will be Turkish Ambassador Murat Sungar. Ukraine, however, which has hoped to propose a candidate of its own for the organization's leadership objected to the proposal, arguing that it violated the BSEC charter which enshrines the principle of "consensus." "We noted our reservation," the head of the Ukrainian delegation told us, noting that the GOU position is handicapped by the fact it has not identified a

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candidate.

15. (SBU) Discussion was also heated over the Black Sea Bank, which some delegations argue constitutes the sole "concrete" accomplishment of BSEC to date. They note, however, that the bank, which is located in Thessaloniki, operates largely autonomously, and that there is little coordination between it and BSEC overall. One particular source of tension is the fact that only six countries have made their required contributions to the Bank-- Turkey, Greece, Russia, the Ukraine, Bulgaria and Romania. Others have not, leading the Russian delegation to inquire how and why the bank, which achieved an international credit rating this year, is continuing to fund loans in delinquent countries. A similar debate surrounds the BSEC project development fund, with delegations noting that projects have been centered in just a few countries, and that many BSEC members have serious arrears. In addition, one delegation member told us, the Fund's resources are so limited that it can essentially only underwrite planning meetings to develop larger projects for submission to international donors or the international financial institutions. Strengthening of the fund is a key BSEC priority, with some linking the issue to BSEC observer states, and suggesting that they be approached with a view to soliciting their support.

16. (SBU) Indicative of BSEC's limitations was the fact that while earlier meetings had shown general support for the idea of a monitoring mechanism to follow-up ministerial declarations, further discussion in February was inconclusive, with no "practical proposals" to realize the goal. Senior Officials thus decided to elaborate on the concept further and discuss it at a future meeting. Other problem areas include questions surrounding the privileges and immunities of BSEC staff, and financial difficulties resulting from the organization's limited (approximately 2 million USD budget). Longtime BSEC watchers note that

Secretariat salaries have not increased in a decade, eroding

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the purchasing power of senior officials, and leading many appointees at lower levels to turn down their appointments.

17. (SBU) In several follow-up meetings over the last few weeks with national delegation heads in Istanbul, we found widespread agreement that despite the energy and initiative of recent Secretary-Generals, including particularly Ambassador Tedo Japaridze, BSEC continues to have difficulty in moving from talk to action. One local delegation ascribed this to political differences among members, arguing that while the organization was created to foster economic cooperation, when it comes up against political realities these proposals rarely go anywhere. Hence, while the Transportation working group is considered one of BSEC's most successful, its key goal, creation of a Black sea Transportation Corridor, remains blocked by national differences. Similarly, while Greece and its Balkan neighbors are enthusiastically pushing EU cooperation, Russia is less enthused and has sought to slow the process, in the view of several delegations. The result is, they noted, that at a recent BSEC-EU meeting, visiting European experts surprised those present by emphasizing that before BSEC could achieve true cooperation with Europe, it would have to achieve it internally.

18. (SBU) Another delegation told us candidly that the organization remains very much a "shop-talk club," with only the Trade and Development Bank standing as a "successful" project. The Project Development Fund was intended to deepen the organization's economic work, but its limited funds have not permitted it to make a difference. As for the BSEC Business Council, they expressed admiration for its energetic

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leadership and noted its useful new web-site, but were otherwise at a loss to explain exactly what it has done. This delegation's new chair opined that the organization needs to address problems including poor time management, a sense that some in the Secretariat are more time-servers than anything else, and most seriously, the lack of a joint vision for how the organization should develop. With different members having different political priorities, finding common ground is difficult. That said, he believes the organization has promise in areas ranging from combatting organized crime (he said his country's Interior Ministry has been impressed by the international cooperation that has occurred through BSEC), ecological issues, and combatting terrorism. In that respect, he expressed surprise at how Turkey and Russia have found common ground in opposing additional military cooperation to combat terrorism in the region. The key, he concluded, however, is financial, and he expressed hope that the United States would find something in its budget to aid the organization.

19. (SBU) Comment: Though it has made strides under the recent activist leadership of Ambassador Japaridze and his predecessor, and most expect the incoming Greek Secretary-General to continue that approach, BSEC remains

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very much a work in progress. If we remain set on the point that our observership means no commitment of financial resources, our best approach is to continue to monitor the work of BSEC working groups and identify natural synergies between its vision and our own ongoing activities. This has already occurred in the area of regional electricity transmission, but could emerge elsewhere as well. End Comment.

JONES